UNIT 5

CONTRACTOR PERFORMANCE INCENTIVES

OBJECTIVES

- Explain the application of incentive contracts
- Discuss past performance information
- Discuss other incentive program arrangements

PURPOSE OF INCENTIVES

We need to incentivize our contractors to compete for our business in order to get the best value service provider, motivated to perform under the best business arrangement

DIFFERENT TYPES OF INCENTIVES

- Monetary or non-monetary
- Positive or negative
- Should encourage better quality performance
- Must be realistic and controllable by the contractor

INCENTIVES

- Reflect both the value to the government and a meaningful incentive to the contractor
- Should be challenging, yet reasonably attainable
- Negative incentives should reflect the value of the service lost

INCENTIVES

- Verify the effectiveness of the incentives used
- Past performance should reflect actual performance and be used for future evaluations for award

CATEGORIES OF INCENTIVES

- Cost Incentives
- Performance Incentives
- Schedule Incentives
- Award fee incentives
- Future business

PROFIT AND FEE

- Both monetary incentives
- Profit normally reserved for firm-fixed price
- Fee associated with cost-reimbursement

CONTRACT TYPE

Contractor Cost Risk High

Government Cost Risk Low

Contractor Cost Risk Low

Government Cost Risk High

Fixed Price

FFP FPEPA FPIF

Cost-reimbursement

CPIF CPAF CPFF

FIRM-FIXED PRICE

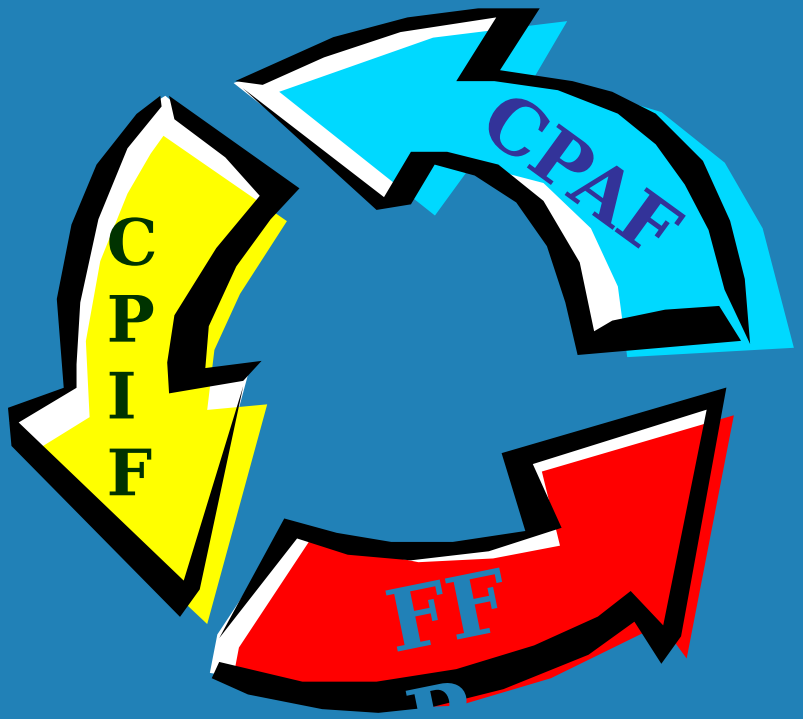
- Price not subject to adjustment
- Places maximum risk on the contractor
- FFP or FPEPA must be used with commercial contracts

FIXED PRICE WITH AWARD FEE

- Fixed fee paid for satisfactory performance
- Award fee paid in addition to fixed price

COMBINATION CONTRACT TYPES

- More than one contract type may be used
- Award fees



OTHER PERFORMANCE INCENTIVES

- Contract Options
- Award Term
- IDIQ Contracts
- Reduced Surveillance

PAST PERFORMANCE INFORMATION

- Used in exercising options and awarding new contracts
- Motivates contractor to improve performance
- QAP's documentation of contractor performance is the keystone for PPI

Past Performance Information

- **Enhance market research**
- **Help establish competitive range and make award decisions**
- **Provide a basis for discussing progress with contractors**

Past Performance Information

- **Help decide whether to exercise contract options**
- **Award decisions on task orders**
- **Aid in developing acquisition strategies**
- **Recognize good performers**

Contractor Performance Assessment Report

- Annual requirement
- Service contracts at or over $1,000,000
- Web based format

Contractor Performance Assessment Report

- Completed by BRAG
- Sent to contractor for review and comment
- PPI is “For Official Use Only”

CONCLUSION

- Explain the application of incentive contracts
- Discuss past performance information
- Discuss other incentive program arrangements